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To: New York Metro Personnel

Subject: Returned Goods

We have just completed a very productive year. I am sure we can all reflect on individual achievements that have allowed the New York Metro Region to be the #1 REGION in the country.

We now have to address the challenges of 1997. If we are to meet RJR financial goals and maximize profits (and our bonus payouts) we must work together to reduce **"RETURNED GOODS."** The New York Metro Region had a return rate of approximately 2.8% in 1996. **The company goal for 1997 is 1%.** This means we must focus part of our energies on insuring our products are properly rotated at all levels of the distribution channel, inventories are at levels needed to maintain and grow business but not excessive to contribute to the returns. We must also eliminate retail abuse of our promotions.

Most wholesale accounts are reluctant to supply us with information regarding retail and subjobbers who return promotions as they are concerned about "losing a customer." In order to gain wholesale support and assistance the two letters attached must be reviewed with all retail, subjobber and wholesale customers. Then we must then follow through with rotation of product, proper identification of returns and deal with those who abuse our promotions.

Your assistance in addressing this issue is appreciated and if you have any questions please contact your Division or Retail Manager.

Sincerely,

George H. Moulton

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